

ANCHOR BAY SCHOOL DISTRICT
NEW BALTIMORE, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II – VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Budgetary Comparison Schedules:	
General Fund	6
Capital Projects Fund	7
Notes to the Financial Statements	8 – 21
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	23
Combining Balance Sheet – School Service Fund	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Fund	25
Combining Balance Sheet – Debt Retirement Funds	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Funds	27
Combining Balance Sheet – Capital Projects Funds	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds	29
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	30
Schedule 2 - General Fund - Schedule of Expenditures	31 – 35
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	36 – 37
Schedule 4 - Schedule of Bond Principal and Interest Requirements	38 – 42



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 12, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Anchor Bay School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anchor Bay School District, as of and for the year ended June 30, 2007, which collectively comprise the school district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Anchor Bay School District' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anchor Bay School District as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and the 2003 Capital Projects Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 12, 2007 on our consideration of the Anchor Bay School District' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anchor Bay School District' basic financial statements. The additional information on pages 22 - 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Anchor Bay Public School's Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Anchor Bay School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$30,198,808	\$37,375,179
Non-Current Assets	<u>189,383,546</u>	<u>184,010,923</u>
<u>TOTAL ASSETS</u>	<u>\$219,582,354</u>	<u>\$221,386,102</u>
<u>LIABILITIES</u>		
Current Liabilities	\$17,684,429	\$18,162,568
Long-Term Liabilities	<u>211,076,152</u>	<u>213,138,904</u>
Total Liabilities	\$228,760,581	\$231,301,472
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	14,358,750	13,085,056
Restricted - Debt Service	983,916	389,336
Unrestricted	<u>(24,520,893)</u>	<u>(23,389,762)</u>
Total Net Assets	<u>(\$9,178,227)</u>	<u>(\$9,915,370)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$219,582,354</u>	<u>\$221,386,102</u>

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenue</u>		
Property Taxes Levied	\$18,145,347	\$15,688,538
State of Michigan Unrestricted Foundation Aid	41,646,349	40,384,907
Other General Revenue	<u>1,630,244</u>	<u>2,858,048</u>
Total General Revenues	\$61,421,940	\$58,931,493
<u>Program Revenue</u>		
Charges for Services	2,572,755	2,387,953
Operataing Grants and Contributions	<u>7,155,112</u>	<u>5,569,824</u>
Total Program Revenue	<u>\$9,727,867</u>	<u>\$7,957,777</u>
Total Revenues	\$71,149,807	\$66,889,270
<u>EXPENSES</u>		
Instruction & Instructional Support	33,835,979	33,757,269
Support Services	18,407,495	20,046,854
Community Services	540,457	482,488
Food Service	1,784,911	1,849,959
Athletics	635,778	625,364
Student Operations	87,423	106,691
Interest on Long-Term Debt	11,028,451	10,662,547
Depreciation	<u>4,092,170</u>	<u>3,488,505</u>
Total Expenses	<u>\$70,412,664</u>	<u>\$71,019,677</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	\$737,143	(\$4,130,407)
<u>BEGINNING NET ASSETS (DEFICIT)</u>	<u>(9,915,370)</u>	<u>(5,784,963)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>(\$9,178,227)</u></u>	<u><u>(\$9,915,370)</u></u>

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$737,143 to a total of \$(9,178,227). The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$1,273,694 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The deficit in unrestricted net assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The District's Unrestricted Net Assets decreased by \$1,131,131 during the year and the restricted portion of the net assets increased by \$594,580. The restricted Net Assets consist of debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall revenues exceeded its expenses for the year by \$737,143. The total revenues increased by \$4,260,537 or 6% over last years amounts. The major changes were due to increases in property taxes and state aid. Expenditures decreased by \$607,013 or 1% over last year amounts. Major changes were due to planned reductions to expenditures necessitated by the uncertain economic situation in the State of Michigan.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The District's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$1,080,601 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$2,653,644 primarily from property taxes and state aid. Expenditures and other financing uses decreased by \$8,336, primarily from planned expenditure reductions necessitated by the uncertain economic situation in the State of Michigan. The major source of general fund revenues is state aid and taxes. An analysis is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Anchor Bay School District foundation allowance was \$7,085 per student for the 2006-2007 school year.

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 6,737 students. There was a decrease of 46 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$4,650,978, an increase of \$511,770 from the prior year.

Capital Projects Fund

The districts Capital Projects Fund balance decreased by \$7,282,923 due to the ongoing construction project.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual & Original Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$54,218,367	\$55,063,151	\$54,949,825	1.35	0.21
Expenditures	55,699,207	54,689,239	53,869,224	3.29	1.50
<u>TOTAL</u>	<u>(\$1,480,840)</u>	<u>\$373,912</u>	<u>\$1,080,601</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Anchor Bay School District amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year.

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS (Continued):

Original vs. Final Budgets

Revenues

The variance in the amount of the original budget and the final budget is due to unanticipated Medicaid outreach revenue, prior period adjustments to property taxes and state aid.

Expenditures

The variance in the amount of the original budget and the final budget expenditures is due to changes in staff fringe benefits, and vacant administrative and teaching positions not replaced.

Final Budgets vs. Actual

Revenues

The variance in the amount of the final budget and actual is due to adjustments to various federal and state grants.

Expenditures

The variance in the amount of the final budget and actual is due to additional energy savings from the district's energy conservation policy, and positive budget variances in various budget line items.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Bonds Payable	\$190,837,912	\$0	\$6,400,000	\$184,437,912
Accrued Interest - Capital Apprec. Bonds	799,192	108,611	0	907,803
Unamortized Premium on Bonds Issued	265,095	0	4,708	260,387
School Bond Loan Fund	27,879,038	5,376,105	1,337,000	31,918,143
Compensated Absences	580,535	16,277	0	596,812
Special Termination Benefits	1,069,355	0	519,678	549,677
<u>Total Long-Term Debt</u>	<u>\$221,431,127</u>	<u>\$5,500,993</u>	<u>\$8,261,386</u>	<u>\$218,670,734</u>

ANCHOR BAY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$4,770,771 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$206,588,154	\$11,630,116	\$2,767,175	\$215,451,095
Less: Accumulated Depreciation	(22,577,231)	(4,092,170)	0	(26,669,401)
<u>Net Investment Capital Assets</u>	<u>\$184,010,923</u>	<u>\$7,537,946</u>	<u>\$2,767,175</u>	<u>\$188,781,694</u>

In 2003 Anchor Bay voters approved a \$42.2 million, general obligation bond issue. The proceeds from that bond issue are being used to renovate existing school buildings, provide technology upgrades, and provide land acquisition to accommodate future growth.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,135 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.72% in 07-08 from 17.74% in 06-07.

* The Anchor Bay School District's 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$54,910,000
<u>EXPENDITURES</u>	<u>57,151,595</u>
<u>NET OVER BUDGET</u>	<u>(\$2,241,595)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office:

Anchor Bay School District
5201 County Line Road, Suite 100
Casco, MI 48064
586-725-2861 (phone) 586-725-0290 (fax)

ANCHOR BAY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$499,103
Investments	20,870,133
Accounts Receivable	18,670
Due From Other Governmental Units	8,207,282
Due From Other Funds	683
Inventory	53,356
Prepaid Expenses	549,581
Total Current Assets	<u>\$30,198,808</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	1,654,556
Capital Assets - Not Being Depreciated	2,559,921
Capital Assets	211,236,618
Less: Accumulated Depreciation	<u>(26,669,401)</u>
Total Noncurrent Assets	<u>\$188,781,694</u>
<u>OTHER ASSETS</u>	<u>601,852</u>
<u>TOTAL ASSETS</u>	<u><u>\$219,582,354</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$1,854,601
Salaries Payable	4,272,939
Accrued Expenses	3,753,787
Deferred Revenue	208,519
Current Portion of Long-Term Obligations	<u>7,594,583</u>
Total Current Liabilities	<u>\$17,684,429</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>211,076,152</u>
<u>TOTAL LIABILITIES</u>	<u>\$228,760,581</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	14,358,750
Restricted for: Debt Retirement	983,916
Unrestricted	<u>(24,520,893)</u>
<u>TOTAL NET ASSETS</u>	<u>(\$9,178,227)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$219,582,354</u></u>

See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$33,835,979	\$724,603	\$6,195,595	(\$26,915,781)
Support Services	18,407,495	225,650	281,617	(17,900,228)
Community Services	540,457	433,697	0	(106,760)
Food Service	1,784,911	1,141,890	677,900	34,879
Athletics	635,778	46,915	0	(588,863)
Student Operations	87,423	0	0	(87,423)
Interest - Long-Term Obligations	11,028,451	0	0	(11,028,451)
Depreciation - Unallocated	4,092,170	0	0	(4,092,170)
	<u>\$70,412,664</u>	<u>\$2,572,755</u>	<u>\$7,155,112</u>	<u>(\$60,684,797)</u>
<u>TOTALS</u>				
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				18,145,347
State Aid				41,646,349
Investment Earnings				1,451,122
Miscellaneous				179,122
Total General Revenues and Transfers				<u>\$61,421,940</u>
Change in Net Assets				\$737,143
Net Assets - Beginning (Deficit)				<u>(9,915,370)</u>
<u>Net Assets - Ending (Deficit)</u>				<u>(\$9,178,227)</u>

See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	2003 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$298,205	\$0	\$200,898	\$499,103
Investments	7,011,001	11,011,048	2,848,084	20,870,133
Accounts Receivable	15,988	0	2,682	18,670
Due From Other Governmental Units	8,089,521	0	117,761	8,207,282
Due From Other Funds	0	0	6,019	6,019
Inventory	0	0	53,356	53,356
Prepaid Expenses	549,581	0	0	549,581
<u>TOTAL ASSETS</u>	<u>\$15,964,296</u>	<u>\$11,011,048</u>	<u>\$3,228,800</u>	<u>\$30,204,144</u>
<u>LIABILITIES</u>				
Accounts Payable	\$748,629	\$1,019,055	\$86,917	\$1,854,601
Due to Other Funds	4,748	0	588	5,336
Salaries Payable	4,260,004	0	12,935	4,272,939
Accrued Expenses	1,843,837	0	3,266	1,847,103
Deferred Revenue	208,519	0	0	208,519
Total Liabilities	\$7,065,737	\$1,019,055	\$103,706	\$8,188,498
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	39,865	39,865
Debt Retirement	0	0	983,916	983,916
Capital Projects	0	9,991,993	1,740,843	11,732,836
Unreserved:				
Undesignated, Reported In:				
General Fund	8,898,559	0	0	8,898,559
School Service Funds	0	0	360,470	360,470
Total Fund Balances	<u>\$8,898,559</u>	<u>\$9,991,993</u>	<u>\$3,125,094</u>	<u>\$22,015,646</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$15,964,296</u>	<u>\$11,011,048</u>	<u>\$3,228,800</u>	<u>\$30,204,144</u>

See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:		\$22,015,646
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$213,796,539 and the accumulated depreciation is \$26,669,400		187,127,138
Construction in Progress		1,654,556
Certain assets are not financial resources and therefore are not reported in the funds Deferred Refunding Charges and Loss on Refunding		601,852
Certain liabilities are not due and payable in the current period and are not reported in the funds: Accrued Interest Special Termination Benefits		(1,906,684) (549,677)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$184,437,913	
School Bond Loan Fund Payable	31,918,143	
Accreted Interest	907,803	
Premium on Bonds	260,387	
Compensated Absences Payable	596,812	
Total Long-Term Liabilities		<u>(218,121,058)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>(\$9,178,227)</u>

ANCHOR BAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	2003 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$6,993,119	\$760,176	\$14,761,906	\$22,515,201
State Sources	44,748,997	0	94,038	44,843,035
Federal Sources	1,914,168	0	583,862	2,498,030
Total Revenues	\$53,656,284	\$760,176	\$15,439,806	\$69,856,266
<u>EXPENDITURES</u>				
Current:				
Instruction	34,355,657	0	0	34,355,657
Student Services	1,878,731	0	0	1,878,731
Instructional Support	1,909,283	0	0	1,909,283
General Administration	570,804	0	0	570,804
School Administration	4,020,478	0	0	4,020,478
Business Administration	767,858	0	0	767,858
Operation & Maintenance of Plant	6,472,506	0	0	6,472,506
Transportation	2,495,075	0	0	2,495,075
Support Services - Other	267,381	0	0	267,381
Community Services	540,457	0	0	540,457
Food Service	0	0	1,784,911	1,784,911
Athletics	0	0	635,778	635,778
Student Operations	0	0	87,423	87,423
Debt Retirement	0	0	17,355,300	17,355,300
Capital Outlay				
Site Acquisitions	0	0	549,017	549,017
Site Improvements	0	568,839	121,830	690,669
Purchased Services	0	154,423	79,760	234,183
Building Acquisition	0	6,015,598	57,673	6,073,271
Capital Outlay	0	1,304,239	2,224	1,306,463
Total Expenditures	\$53,278,230	\$8,043,099	\$20,673,916	\$81,995,245
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$378,054	(\$7,282,923)	(\$5,234,110)	(\$12,138,979)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(590,994)	0	590,994	0
Loan Proceeds	0	0	4,570,728	4,570,728
Other Transfers	1,293,541	0	0	1,293,541
Total Other Financing Sources (Uses)	\$702,547	\$0	\$5,161,722	\$5,864,269
Net Change in Fund Balance	\$1,080,601	(\$7,282,923)	(\$72,388)	(\$6,274,710)
<u>FUND BALANCE - BEGINNING</u>	7,817,958	17,274,916	3,197,482	28,290,356
<u>FUND BALANCE - ENDING</u>	\$8,898,559	\$9,991,993	\$3,125,094	\$22,015,646

See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds (\$6,274,710)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

3,116,215

Construction in Progress

1,654,556

Expenses are recorded when incurred in the statement of activities

Interest

(1,410,152)

Special Termination Benefits

519,678

Compensated Absences

(16,277)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt Issued

(4,570,727)

Repayments of Long-Term Debt

7,737,000

Defer Loss on Debt Defeasance and Refunding Charges

(23,148)

Amortization of Premiums

4,708

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$737,143

ANCHOR BAY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

ASSETS

Cash and Cash Equivalents	\$519,371
Due from Other Funds	<u>588</u>

<u>TOTAL ASSETS</u>	<u>\$519,959</u>
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LIABILITIES

Accounts Payable	\$1,470
Due to Other Funds	1,271
Due to Student Groups	<u>517,218</u>

<u>TOTAL LIABILITIES</u>	<u>\$519,959</u>
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See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$6,025,285	\$6,713,768	\$6,993,119	\$279,351
State Sources	44,719,098	44,871,718	44,748,997	(122,721)
Federal Sources	2,267,234	1,980,769	1,914,168	(66,601)
Total Revenues	<u>\$53,011,617</u>	<u>\$53,566,255</u>	<u>\$53,656,284</u>	<u>\$90,029</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	34,192,035	34,268,513	34,355,657	(87,144)
Student Services	2,567,971	1,892,650	1,878,731	13,919
Instructional Support	2,266,811	2,093,353	1,909,283	184,070
General Administration	587,038	593,218	570,804	22,414
School Administration	4,105,440	4,103,005	4,020,478	82,527
Business Administration	884,902	797,818	767,858	29,960
Operation & Maintenance of Plant	7,203,027	6,724,528	6,472,506	252,022
Transportation	2,517,143	2,752,238	2,495,075	257,163
Support Services - Other	268,421	278,886	267,381	11,505
Community Services	516,162	562,525	540,457	22,068
Total Expenditures	<u>\$55,108,950</u>	<u>\$54,066,734</u>	<u>\$53,278,230</u>	<u>\$788,504</u>
Excess of Revenues Over Expenditures	<u>(\$2,097,333)</u>	<u>(\$500,479)</u>	<u>\$378,054</u>	<u>\$878,533</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>616,493</u>	<u>874,391</u>	<u>702,547</u>	<u>(171,844)</u>
Net Change in Fund Balance	<u>(\$1,480,840)</u>	<u>\$373,912</u>	<u>\$1,080,601</u>	<u>\$706,689</u>
<u>FUND BALANCE - BEGINNING</u>			<u>7,817,958</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$8,898,559</u>	

See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
2003 CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$500,000	\$742,207	\$760,176	\$17,969
<u>EXPENDITURES</u>				
Current:				
Capital Outlay	20,170,463	9,593,262	8,043,099	1,550,163
Excess of Revenues Over Expenditures	<u>(\$19,670,463)</u>	<u>(\$8,851,055)</u>	<u>(\$7,282,923)</u>	<u>(\$1,532,194)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>17,274,916</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$9,991,993</u>	

See accompanying notes to the basic financial statements.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Anchor Bay School District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The School District's basic financial statements include both district- wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS (Continued)

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2003 Building and Site Fund - The capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipments, and for remodeling and repairs.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

1999 Series 1, 2000 Series II and 2002 Series III Capital Projects - The capital projects funds are used to record bond proceeds or other revenue and the disbursements of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The district reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the district receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The district reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper (if applicable) are recorded at amortized cost.

State statutes authorize the district to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The district is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$1,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The school district maintains a capitalization threshold of one hundred dollars. The school district does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

Sick days are earned by most employees at the rate of one day per month. The quantity of sick days an employee may accumulate is determined by their job category, ranging from eighteen to seventy-five days. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There *is* no contractual provision for payment of unused vacation, other than the payment of prorated used vacation days earned during the year of the termination.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) COMPENSATED ABSENCES (Continued)

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances and unpaid earned vacation days. The liability has been calculated using the vesting method, in which compensated absences amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The school district reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

The school district follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the school Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The school Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the school district's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the school district for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the district incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the district had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	\$ 67,312	0.0027	AAAm	0.32%
MILAF External Investment Pool - MIMAX	19,957,821	0.0027	AAAm	95.63%
MILAF External Investment Pool - Term	845,000	0.3025	AAAm	4.05%
Total fair value	<u>\$ 20,870,133</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0148</u>		

1 day maturity equals 0.0027, one year equals 1.00.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. In accordance with its investment policy, the district will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the district's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the district's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As of June 30, 2007, \$1,487,311 of the district's bank balance of \$1,658,297 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the district's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The district is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$519,371	\$ 1,018,474
Investments	<u>20,870,133</u>
<u>TOTAL</u>	<u>\$ 21,888,607</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 519,371
Cash – District Wide	499,103
Investments – District Wide	<u>20,870,133</u>
<u>TOTAL</u>	<u>\$ 21,888,607</u>

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

5) PROPERTY TAXES

The school district levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the district through February. The delinquent real property taxes of the district are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the district for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 7,503,635
Federal Grants	527,332
Other	176,315
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 8,207,282</u>

7) UNEMPLOYMENT COMPENSATION

The district is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the district must reimburse the Employment Commission for all benefits charged against the district for the year. As of June 30, 2007, the school district had \$27,021 of estimated claims in conjunction with the program.

9) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2007.

10) SELF INSURANCE POOL

The school district participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the school district may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$212,508 and the school district received a dividend refund of \$4,451.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

10) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$2,485,472	\$74,449	\$0	\$2,559,921
Construction in Progress	2,767,175	1,654,556	2,767,175	1,654,556
Total Capital Assets Not Depreciated	\$5,252,647	\$1,729,005	\$2,767,175	\$4,214,477
Buildings and Improvements	192,252,545	9,536,659	0	201,789,204
Site Improvements	718,941	0	0	718,941
Equipment and Furniture	3,893,882	290,862	0	4,184,744
Vehicles	4,470,139	73,590	0	4,543,729
Totals at Historical Cost	\$201,335,507	\$9,901,111	\$0	\$211,236,618
Less: Accumulated Depreciation				
Buildings and Improvements	(18,672,669)	(3,167,772)	0	(21,840,441)
Site Improvements	(150,071)	(26,563)	0	(176,634)
Equipment and Furniture	(1,466,635)	(474,001)	0	(1,940,636)
Vehicles	(2,287,856)	(423,834)	0	(2,711,690)
Total Accumulated Depreciation	(\$22,577,231)	(\$4,092,170)	\$0	(\$26,669,401)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$184,010,923</u>	<u>\$7,537,946</u>	<u>\$2,767,175</u>	<u>\$188,781,694</u>

Depreciation expense for the fiscal year amounted to \$4,092,170. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 213,796,539
Construction in Progress	1,654,556
Less: Accumulated Depreciation	(26,669,401)
Less: Long-Term Liabilities	(218,670,735)
Add: Capital Projects Fund Balance	11,732,836
Add: Term Benefits	596,812
Add: Michigan School Bond Loan Fund	31,918,143
<u>TOTAL</u>	<u>\$ 14,358,750</u>

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
<u>PROJECT</u>			
School-wide Renovations and Additions			
1999 Bond Program	\$1,084,816	\$502,087	\$29,174
2003 School Building & Site Bonds	9,608,182	1,139,394	448,603
<u>TOTAL</u>	<u>\$10,692,998</u>	<u>\$1,641,481</u>	<u>\$477,777</u>

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

10) CAPITAL ASSETS (Continued)

Contracts payable at year end, represent actual contractor billings of \$627,480 and the amount retained of \$477,777 and are recorded as a capital projects fund liability.

11) DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Grant and Categorical Aid Payments Received Prior to Meeting all Eligibility Requirements	\$ 128,477
Other Payments	<u>80,042</u>
<u>TOTAL</u>	<u>\$ 208,519</u>

12) GENERAL LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

A) General obligation bonds payable at year end, consists of the following:

1993 Capital Appreciation Bonds due May 1, 2008, interest at 8.75%	\$ 418,906
1999 Bond Refunding Serial Bonds due in annual installments of \$1,310,000 to \$2,735,000 to May 1, 2026, interest at 4.05% to 4.75%	40,075,000
1999 Building and Site Serial Bonds due in annual installments of \$750,000 to \$1,150,000 through May 1, 2009, interest at 4.2% to 6.625%	2,150,000
2000 Building and Site Serial Bonds due in annual installments of \$650,000 to \$1,575,000 through May 1, 2011, interest at 4.75% to 6.125%	5,275,000
2001 Bond Refunding Serial Bonds due in annual installments of \$115,000 to \$1,705,000 to May 1, 2029, interest at 3.45% to 5.25%	32,185,000
2002 Building and Site Serial Bonds – Series A due in annual installments of \$500,000 to \$1,125,000 through May 1, 2003 to May 1, 2023, interest at 3.00% to 5.50%	14,650,000
2002 Bond Refunding Serial and Term Bonds – Series B due in annual installments of \$100,000 to \$2,175,000 due May 1, 2030, interest at 2.25% to 5.50%	39,195,000
2003 Building and Site Serial Bonds due in annual installments of \$700,000 to \$2,575,000 through May 1, 2033, interest at 2.00% to 5.00%	40,100,000

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

12) GENERAL LONG-TERM DEBT (Continued)

A) General obligation bonds payable at year end, consists of the following: (Continued)

2006 Bond Refunding Serial Bonds due in annual installments of \$50,000 to \$1,200,000 through May 1, 2031, interest at 4.125% to 4.500%	\$ 9,975,000
<u>TOTAL GENERAL OBLIGATION BONDED DEBT</u>	<u>\$ 184,023,906</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$983,916 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

1998 Durant School Improvement Bonds due in annual installments through May 15, 2013, interest 4.76% due annually	\$ 414,007
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

B) State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's 1992-2002 bond issues. During 1992-2002, the School District issued \$294,933,905 in bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 10 mills, but instead the election permitted the School District to extend this levy through the year 2031. Since the monies generated by the 10 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$ 26,874,999 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the 1992-2002 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$5,376,105, paid principal of \$1,337,000, and had an outstanding principal and interest balance at year of \$31,918,143 from the State School Bond Loan Fund. The School District has agreed to repay a portion of the loan, \$10,665,000, with interest at 3.318% based on the following schedule. The remaining amount, \$21,253,143, will be due with interest at rates and times to be determined by the State Treasurer..

C) Compensated Absences

Accrued compensated absences at year end, consists of \$177,396 of vacation hours earned and vested and \$419,416 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

D) Special Termination Benefits

The School District offered voluntary severance incentive plans to employees to be paid over a three year period through 2009. The balance as of year end, was \$549,677.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

12) GENERAL LONG-TERM DEBT (Continued)

E) Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. The final payment date is May 1, 2010 and May 1, 2012. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1993 and 1996 Refunded	\$ 25,830,000
2001 Building and Site Refunded	30,575,000
2000 Building and Site Refunded	37,400,000
2002 Building and Site Refunded	<u>9,350,000</u>
 TOTAL	 <u>\$ 103,155,000</u>

F) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	Bonds Payable	School Bond Loan	Special Termination Benefits	Interest	Total
June 30, 2008	\$5,723,906	\$1,381,000	\$489,678	\$10,767,872	\$18,362,456
June 30, 2009	6,904,022	1,426,000	60,000	9,505,435	17,895,457
June 30, 2010	7,220,878	1,472,000	0	9,174,689	17,867,567
June 30, 2011	7,507,825	1,521,000	0	8,775,603	17,804,428
June 30, 2012	7,884,285	1,570,000	0	8,659,543	18,113,828
June 30, 2013-2017	46,156,997	1,621,000	0	36,211,850	83,989,847
June 30, 2018-2022	46,525,000	1,674,000	0	23,156,409	71,355,409
June 30, 2023-2027	34,410,000	0	0	10,894,404	45,304,404
June 30, 2028-2032	19,530,000	0	0	3,157,000	22,687,000
June 30, 2033	2,575,000	0	0	128,750	2,703,750
Thereafter	0	21,253,143	0	0	21,253,143
 <u>TOTAL</u>	 <u>\$184,437,913</u>	 <u>\$31,918,143</u>	 <u>\$549,678</u>	 <u>\$120,431,555</u>	 <u>\$337,337,289</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$9,561,900.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

12) GENERAL LONG-TERM DEBT (Continued)

G) Changes in General Long-Term Debt

	Balance			Balance	Amount Due
<u>Governmental Activities:</u>	July 1, 2006	Additions	Deductions	June 30, 2007	in One Year
Government Obligation Bonds	\$190,423,905	\$0	\$6,400,000	\$184,023,905	\$5,723,906
Durant Bonds	414,007	0	0	414,007	0
Accreted Interest	799,192	108,611	0	907,803	0
School Bond Loan	27,879,038	5,376,105	1,337,000	31,918,143	1,381,000
Special Termination Benefits	1,069,355	0	519,678	549,677	489,677
Compensated Absences	580,535	16,277	0	596,812	0
Premium on Bonds	265,095	0	4,708	260,387	0
<u>TOTAL</u>	<u>\$221,431,127</u>	<u>\$5,500,993</u>	<u>\$8,261,386</u>	<u>\$218,670,734</u>	<u>\$7,594,583</u>

13) INTERFUND BALANCES

Interfund balances at June 30, 2007 consisted of the following:

DUE FROM					
DUE TO	Food Service Fund	Athletics Fund	Student Operations	Trust and Agency Fund	Total
General Fund	\$4,616	\$132	\$0	\$0	\$4,748
Food Service Fund	0	0	0	588	588
Trust and Agency Fund	0	0	1,271	0	1,271
<u>TOTAL</u>	<u>\$4,616</u>	<u>\$132</u>	<u>\$1,271</u>	<u>\$588</u>	<u>\$6,607</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	GENERAL FUND
Athletics Fund	\$581,167
Student Operations Fund	9,827
<u>TOTAL</u>	<u>\$590,994</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ANCHOR BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The school district participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the school district. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but those who are not basic members contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The school district's contributions to the MPERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$5,574,754, \$5,123,995, and \$4,629,255, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the school district's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The district is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and worker's compensation claims. The district limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The district's management believes that participation in this pool provides sufficient coverage to protect the district from significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The district participates in a number of federally assisted grant programs, principal of which are the Special Education Cluster grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

ANCHOR BAY SCHOOL DISTRICT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Fund	Debt Retirement Funds	Capital Projects Funds	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$97,050	\$103,848	\$0	\$200,898
Investments	163,808	857,230	1,827,046	2,848,084
Accounts Receivable	2,682	0	0	2,682
Due from Other Governmental Units	94,923	22,838	0	117,761
Due from Other Funds	6,019	0	0	6,019
Inventory	53,356	0	0	53,356
<u>TOTAL ASSETS</u>	<u>\$417,838</u>	<u>\$983,916</u>	<u>\$1,827,046</u>	<u>\$3,228,800</u>
<u>LIABILITIES</u>				
Accounts Payable	\$714	\$0	\$86,203	\$86,917
Due to Other Funds	588	0	\$0	588
Salaries Payable	12,935	0	0	12,935
Accrued Expenses	3,266	0	0	3,266
Deferred Revenue	0	0	0	0
Total Liabilities	\$17,503	\$0	\$86,203	\$103,706
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	39,865	0	0	39,865
Debt Retirement	0	983,916	0	983,916
Capital Projects	0	0	1,740,843	1,740,843
Unreserved:				
Undesignated, Reported In:				
Special Revenue Fund	360,470	0	0	360,470
Total Fund Balances	\$400,335	\$983,916	\$1,740,843	\$3,125,094
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$417,838</u>	<u>\$983,916</u>	<u>\$1,827,046</u>	<u>\$3,228,800</u>

ANCHOR BAY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Fund	Debt Retirement Funds	Capital Projects Funds	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$1,272,591	\$13,379,153	\$110,162	\$14,761,906
State Sources	94,038	0	0	94,038
Federal Sources	583,862	0	0	583,862
Total Revenues	<u>\$1,950,491</u>	<u>\$13,379,153</u>	<u>\$110,162</u>	<u>\$15,439,806</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Loan Proceeds	0	4,570,728	\$0	4,570,728
Transfers from Other Funds	590,994	0	0	590,994
Total Other Financing Sources (Uses)	<u>\$590,994</u>	<u>\$4,570,728</u>	<u>\$0</u>	<u>\$5,161,722</u>
Total Revenues & Other Financing Sources	<u>\$2,541,485</u>	<u>\$17,949,881</u>	<u>\$110,162</u>	<u>\$20,601,528</u>
<u>EXPENDITURES</u>				
Food Service	1,784,911	0	0	1,784,911
Athletics	635,778	0	0	635,778
Student Operations	87,423	0	0	87,423
Debt Retirement	0	17,355,300	0	17,355,300
Capital Outlay	0	0	810,504	810,504
Total Expenditures	<u>\$2,508,112</u>	<u>\$17,355,300</u>	<u>\$810,504</u>	<u>\$20,673,916</u>
Net Change in Fund Balance	<u>\$33,373</u>	<u>\$594,581</u>	<u>(\$700,342)</u>	<u>(\$72,388)</u>
<u>NET ASSETS - BEGINNING</u>	<u>366,962</u>	<u>389,335</u>	<u>2,441,185</u>	<u>3,197,482</u>
<u>NET ASSETS - ENDING</u>	<u>\$400,335</u>	<u>\$983,916</u>	<u>\$1,740,843</u>	<u>\$3,125,094</u>

ANCHOR BAY SCHOOL DISTRICT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUND
AS OF JUNE 30, 2007

	Food Services Fund	Athletic Fund	Student Operations	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$40,400	\$5,466	\$51,184	\$97,050
Investments	163,808	0	0	163,808
Accounts Receivable	2,682	0	0	2,682
Due from Other Governmental Units	94,923	0	0	94,923
Due from Other Funds	4,616	132	1,271	6,019
Inventory	39,865	0	13,491	53,356
<u>TOTAL ASSETS</u>	<u>\$346,294</u>	<u>\$5,598</u>	<u>\$65,946</u>	<u>\$417,838</u>
<u>LIABILITIES</u>				
Accounts Payable	\$365	\$349	\$0	\$714
Due to Other Funds	588	0	0	588
Salaries Payable	8,551	4,186	198	12,935
Accrued Expenses	2,153	1,063	50	3,266
Deferred Revenue	0	0	0	0
Total Liabilities	\$11,657	\$5,598	\$248	\$17,503
<u>FUND BALANCES</u>				
Fund Balance - Reserved for Inventory	39,865	0	0	39,865
Fund Balance - Unreserved and Undesignated	294,772	0	65,698	360,470
Total Fund Balance	\$334,637	\$0	\$65,698	\$400,335
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$346,294</u>	<u>\$5,598</u>	<u>\$65,946</u>	<u>\$417,838</u>

ANCHOR BAY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Food Services Fund	Athletic Fund	Student Operations	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$1,141,890	\$0	\$0	\$1,141,890
Earnings on Investments	2,610	0	0	2,610
Athletic Activities	0	46,915	0	46,915
Other Local Revenues	0	4,400	76,776	81,176
Total Local Sources	<u>\$1,144,500</u>	<u>\$51,315</u>	<u>\$76,776</u>	<u>\$1,272,591</u>
<u>State Sources</u>				
State Reimbursements	94,038	0	0	94,038
<u>Federal Sources</u>				
Headstart	4,889	0	0	4,889
Federal Reimbursements	465,449	0	0	465,449
Commodities	113,524	0	0	113,524
Total Federal Sources	<u>\$583,862</u>	<u>\$0</u>	<u>\$0</u>	<u>\$583,862</u>
Total Revenues	<u>\$1,822,400</u>	<u>\$51,315</u>	<u>\$76,776</u>	<u>\$1,950,491</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers from General Fund	0	581,167	9,827	590,994
Total Revenues & Other Financing Sources	<u>\$1,822,400</u>	<u>\$632,482</u>	<u>\$86,603</u>	<u>\$2,541,485</u>
<u>EXPENDITURES</u>				
Salaries - Professional	58,083	49,433	0	107,516
Salaries - Non-Professional	570,265	327,953	6,674	904,892
Insurances	131,260	16,304	0	147,564
Fica, Retirement, Etc.	158,447	94,866	1,688	255,001
Other Benefits	14,283	(132)	0	14,151
Purchased Services	5,815	112,968	730	119,513
Supplies and Materials	846,526	26,537	75,592	948,655
Other	232	7,849	2,739	10,820
Total Expenditures	<u>\$1,784,911</u>	<u>\$635,778</u>	<u>\$87,423</u>	<u>\$2,508,112</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	\$37,489	(\$3,296)	(\$820)	\$33,373
<u>FUND BALANCE - BEGINNING OF YEAR</u>	297,148	3,296	66,518	366,962
<u>FUND BALANCE - END OF YEAR</u>	<u>\$334,637</u>	<u>\$0</u>	<u>\$65,698</u>	<u>\$400,335</u>

ANCHOR BAY SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
AS OF JUNE 30, 2007

	School Bond Loan Fund	1993 Refunding	1996 Issue	1999 Refunding	1999 Issue
<u>ASSETS</u>					
Cash and Cash Equivalents	\$1	\$0	\$103,847	\$0	\$0
Investments	250	0	783,097	73,633	0
Due from Other Governmental Units	0	0	22,838	0	0
<u>TOTAL ASSETS</u>	<u>\$251</u>	<u>\$0</u>	<u>\$909,782</u>	<u>\$73,633</u>	<u>\$0</u>
<u>FUND BALANCES</u>					
Reserved for Debt Retirement	<u>\$251</u>	<u>\$0</u>	<u>\$909,782</u>	<u>\$73,633</u>	<u>\$0</u>

2000 Issue	2001 Refunding	2002 Refunding	2002 Series III	2003 Issue	2006 Issue	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$103,848
0	0	0	0	250	0	857,230
0	0	0	0	0	0	22,838
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$250</u>	<u>\$0</u>	<u>\$983,916</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$250</u>	<u>\$0</u>	<u>\$983,916</u>

ANCHOR BAY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	School Bond Loan Fund	1993 Refunding	1996 Issue	1999 Refunding	1999 Issue
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Taxes	\$199,363	\$500	\$1,356,459	\$3,240,437	\$1,191,299
Earnings on Investments	0	0	67,598	121,951	0
Other Local Revenues	0	0	5,589	0	0
Total Local Sources	<u>\$199,363</u>	<u>\$500</u>	<u>\$1,429,646</u>	<u>\$3,362,388</u>	<u>\$1,191,299</u>
<u>OTHER FINANCING SOURCES</u>					
Loan Proceeds	<u>1,536,113</u>	<u>0</u>	<u>783,272</u>	<u>0</u>	<u>0</u>
Total Revenues & Other Financing Sources	\$1,735,476	\$500	\$2,212,918	\$3,362,388	\$1,191,299
<u>EXPENDITURES</u>					
Principal	1,337,000	0	1,255,000	1,635,000	1,000,000
Interest	398,226	0	75,300	1,929,835	191,000
Other Fees	0	500	325	300	300
Taxes Abated	0	0	53,475	0	0
Total Expenditures	<u>\$1,735,226</u>	<u>\$500</u>	<u>\$1,384,100</u>	<u>\$3,565,135</u>	<u>\$1,191,300</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	\$250	\$0	\$828,818	(\$202,747)	(\$1)
<u>FUND BALANCE - BEGINNING</u>	<u>1</u>	<u>0</u>	<u>80,964</u>	<u>276,380</u>	<u>1</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$251</u>	<u>\$0</u>	<u>\$909,782</u>	<u>\$73,633</u>	<u>\$0</u>

2000 Issue	2001 Refunding	2002 Refunding	2002 Series III	2003 Issue	2006 Issue	Total
\$1,293,630	\$1,689,782	\$1,696,440	\$1,360,056	\$954,597	\$199,456	\$13,182,019
0	0	0	0	0	0	189,549
0	0	0	0	0	1,996	7,585
\$1,293,630	\$1,689,782	\$1,696,440	\$1,360,056	\$954,597	\$201,452	\$13,379,153
0	0	357,535	0	1,679,535	214,273	4,570,728
\$1,293,630	\$1,689,782	\$2,053,975	\$1,360,056	\$2,634,132	\$415,725	\$17,949,881
950,000	125,000	110,000	600,000	725,000	0	7,737,000
343,356	1,596,008	1,943,975	759,856	1,908,844	415,500	9,561,900
275	275	250	250	225	225	2,925
0	0	0	0	0	0	53,475
\$1,293,631	\$1,721,283	\$2,054,225	\$1,360,106	\$2,634,069	\$415,725	\$17,355,300
(\$1)	(\$31,501)	(\$250)	(\$50)	\$63	\$0	\$594,581
1	31,501	250	50	187	0	389,335
\$0	\$0	\$0	\$0	\$250	\$0	\$983,916

ANCHOR BAY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
AS OF JUNE 30, 2007

	1999 Series I	2000 Series II	2002 Series III	Total
<u>ASSETS</u>				
Investments	\$1,827,046	\$0	\$0	\$1,827,046
<u>TOTAL ASSETS</u>	<u>\$1,827,046</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,827,046</u>
<u>LIABILITIES</u>				
Accounts Payable	\$86,203	\$0	\$0	\$86,203
<u>FUND BALANCES</u>				
Reserved - Capital Projects	1,740,843	0	0	1,740,843
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,827,046</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,827,046</u>

ANCHOR BAY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	1999 Series I	2000 Series II	2002 Series III	Total After Interfund Eliminations
<u>REVENUES</u>				
<u>Local Sources</u>				
Earnings on Investments	\$46,755	\$981	\$62,426	\$110,162
<u>OTHER FINANCING SOURCES</u>				
Transfers from Other Funds	1,632,605	32,000	0	0
Total Revenues & Other Financing Sources	\$1,679,360	\$32,981	\$62,426	\$110,162
<u>EXPENDITURES</u>				
Site Acquisitions	549,017	0	0	549,017
Site Improvements	121,830	0	0	121,830
Purchased Services	79,760	0	0	79,760
Building Acquisition	54,985	0	2,688	57,673
Capital Outlay	0	0	2,224	2,224
Total Expenditures	\$805,592	\$0	\$4,912	\$810,504
<u>OTHER FINANCING USES</u>				
Transfers to Other Funds	0	59,494	1,605,111	0
Total Expenditures and Other Financing Uses	\$805,592	\$59,494	\$1,610,023	\$810,504
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	\$873,768	(\$26,513)	(\$1,547,597)	(\$700,342)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	867,075	26,513	1,547,597	2,441,185
<u>FUND BALANCE - END OF YEAR</u>	\$1,740,843	\$0	\$0	\$1,740,843

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

ANCHOR BAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROMLocal Sources

Property Taxes	\$4,963,328
Earnings on Investments and Deposits	388,625
Tuition	41,110
Transportation Fees	151,696
Rentals	37,509
Community Service Activities	1,117,190
Medicaid	203,300
Other Local Revenues	90,361
Total Revenues from Local Sources	<u>\$6,993,119</u>

State Sources

State Aid - Membership - Sec. 20	41,646,349
At Risk	506,227
Special Education	2,051,717
Durant	78,317
Vocational Education	252,611
Other State Grants	213,776
Total Revenues from State Sources	<u>\$44,748,997</u>

Federal Sources

Title I	227,780
Technology Literacy Challenge	2,317
Title V	1,382
Improving Teacher Quality	140,806
Impact Aid	133,014
Indian Education	63,551
Safe and Drug Free Schools	23,623
Adult Education	25,800
Other Grants from ISD	1,237,622
Emergency Impact Aid	205
ROTC	58,068
Total Revenues from Federal Sources	<u>\$1,914,168</u>
Total Revenues	<u>\$53,656,284</u>

OTHER FINANCING SOURCES

Other Transfers	36,445
County Special Education Tax	1,257,096
Total Other Financing Sources	<u>\$1,293,541</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$54,949,825

ANCHOR BAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBasic ProgramsElementary

Salaries - Professional	\$9,148,777
Salaries - Non-Professional	203,513
Insurances	1,838,899
Fica, Retirement, Etc.	2,348,210
Other Benefits	9,156
Purchased Services	354,526
Supplies and Materials	209,522
Capital Outlay	8,180
Total Elementary	<u>\$14,120,783</u>

Middle School

Salaries - Professional	4,194,450
Salaries - Non-Professional	99,835
Insurances	808,066
Fica, Retirement, Etc.	1,078,366
Other Benefits	2,875
Purchased Services	154,594
Supplies and Materials	100,037
Capital Outlay	3,916
Total Middle School	<u>\$6,442,139</u>

High School

Salaries - Professional	3,901,696
Salaries - Non-Professional	118,854
Insurances	802,610
Fica, Retirement, Etc.	999,779
Other Benefits	4,250
Purchased Services	213,717
Supplies and Materials	366,235
Capital Outlay	37,051
Total High School	<u>\$6,444,192</u>

Preschool

Salaries - Professional	24,016
Salaries - Non-Professional	276,548
Fica, Retirement, Etc.	73,137
Purchased Services	4,588
Supplies and Materials	60,822
Total Preschool	<u>\$439,111</u>

ANCHOR BAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)

Basic Programs (Continued)

Summer School

Salaries - Professional	30,898
Fica, Retirement, Etc.	7,466
Supplies and Materials	133
Total Summer School	<u>\$38,497</u>

Total Basic Programs	\$27,484,722
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ADDED NEEDS

Special Education

Salaries - Professional	2,719,592
Salaries - Non-Professional	353,370
Insurances	607,915
Fica, Retirement, Etc.	738,655
Other Benefits	3,250
Purchased Services	2,189
Supplies and Materials	24,990
Other	50
Total Special Education	<u>\$4,450,011</u>

Compensatory Education

Salaries - Professional	44,923
Salaries - Non-Professional	413,188
Fica, Retirement, Etc.	115,178
Purchased Services	1,818
Supplies and Materials	84,070
Other	5,948
Total Compensatory Education	<u>\$665,125</u>

Vocational Education

Salaries - Professional	976,470
Salaries - Non-Professional	17,026
Insurances	206,868
Fica, Retirement, Etc.	250,650
Purchased Services	8,407
Supplies and Materials	222,849
Capital Outlay	7,642
Other	25
Total Vocational Education	<u>\$1,689,937</u>

ANCHOR BAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)

ADDED NEEDS (Continued)

Adult Education

Salaries - Professional	\$46,391
Salaries - Non-Professional	1,110
Fica, Retirement, Etc.	12,004
Purchased Services	3,400
Supplies and Materials	2,957
Total Adult Education	<u>\$65,862</u>

Total Added Needs	<u>\$6,870,935</u>
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<u>Total Instruction</u>	<u>\$34,355,657</u>
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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	1,078,427
Salaries - Non-Professional	240,913
Insurances	203,110
Fica, Retirement, Etc.	343,312
Other Benefits	1,400
Purchased Services	300
Supplies and Materials	11,269
Total Student Services	<u>\$1,878,731</u>

INSTRUCTIONAL STAFF

Salaries - Professional	405,213
Salaries - Non-Professional	596,326
Insurances	309,646
Fica, Retirement, Etc.	320,687
Other Benefits	24,873
Purchased Services	201,076
Supplies and Materials	51,313
Other	149
Total Instructional Staff	<u>\$1,909,283</u>

GENERAL ADMINISTRATION

Salaries - Professional	169,318
Salaries - Non-Professional	102,572
Insurances	44,617
Fica, Retirement, Etc.	62,333
Other Benefits	25,785
Purchased Services	124,897
Supplies and Materials	39,666
Other	1,616
Total General Administration	<u>\$570,804</u>

ANCHOR BAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

SCHOOL ADMINISTRATION

Salaries - Professional	\$1,719,220
Salaries - Non-Professional	987,573
Insurances	594,012
Fica, Retirement, Etc.	659,193
Other Benefits	16,141
Purchased Services	19,724
Supplies and Materials	16,016
Other	8,599
Total School Administration	<u>\$4,020,478</u>

BUSINESS OFFICE

Salaries - Professional	158,078
Salaries - Non-Professional	132,260
Insurances	72,022
Fica, Retirement, Etc.	197,214
Other Benefits	7,447
Purchased Services	4,324
Supplies and Materials	40,950
Capital Outlay	3,000
Other	152,563
Total Business Office	<u>\$767,858</u>

OPERATION & MAINTENANCE OF PLANT

Salaries - Professional	65,903
Salaries - Non-Professional	1,857,781
Insurances	684,298
Fica, Retirement, Etc.	484,879
Other Benefits	9,000
Purchased Services	646,495
Supplies and Materials	2,724,095
Other	55
Total Operation and Maintenance of Plant	<u>\$6,472,506</u>

TRANSPORTATION

Salaries - Professional	63,145
Salaries - Non-Professional	1,347,563
Insurances	306,348
Fica, Retirement, Etc.	350,278
Other Benefits	34,633
Purchased Services	71,712
Supplies and Materials	320,742
Other	654
Total Transportation	<u>\$2,495,075</u>

ANCHOR BAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

OTHER SUPPORT SERVICES

Salaries - Non-Professional	\$121,447
Insurances	31,832
Fica, Retirement, Etc.	30,068
Purchased Services	75,833
Supplies and Materials	7,876
Other	325
Total Other Support Services	<u>\$267,381</u>

Total Support Services	\$18,382,116
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COMMUNITY SERVICES

Salaries - Professional	60,829
Salaries - Non-Professional	313,611
Insurances	16,845
Fica, Retirement, Etc.	98,233
Purchased Services	4,516
Supplies and Materials	46,423
Total Community Services	<u>\$540,457</u>

Total Expenditures	\$53,278,230
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OTHER FINANCING USES

Transfers to Other Funds	<u>590,994</u>
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TOTAL EXPENDITURES AND OTHER
FINANCING USES

	<u><u>\$53,869,224</u></u>
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ANCHOR BAY SCHOOL DISTRICT
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
Ashley Elementary	\$13,638	\$63,469	\$55,796	\$21,311
Lighthouse Elementary	20,078	49,506	49,459	20,125
Naldrett Elementary	6,699	28,416	27,861	7,254
Lottie Schmidt Elementary	10,323	21,934	22,472	9,785
Sugarbush Elementary	7,650	23,480	21,585	9,545
Great Oaks Elementary	24,096	32,197	32,300	23,993
Maconce Elementary	4,760	14,682	14,701	4,741
MacDonald Elementary	6,391	14,953	14,151	7,193
Compass Pt	909	1,088	0	1,997
Excellence in Transportation	(72)	0	0	(72)
Student Congress	0	58	58	0
Dist Misc/Int	25,475	19,407	419	44,463
Student Council/GOE	(28)	28	0	0
Adult Education Child Care	1,039	0	1,039	0
Compass Pt Student Store	887	3,056	3,612	331
Transcripts	529	16	0	545
Teachers Vending - High School	1,201	1,086	1,338	949
Teachers Vending - Middle School	(274)	539	214	51
Anchor Bay Today	(1,021)	0	0	(1,021)
Art Resale	2,032	11	225	1,818
Auto	(1,304)	10,095	6,622	2,169
HS Key Club	0	325	0	325
Close Up	135	769	900	4
DECA	6,861	18,073	15,622	9,312
Drama	14,701	42,198	40,456	16,443
Electronics	941	1,555	1,383	1,113
Graphics	1,577	1,251	1,808	1,020
Library	2,754	213	71	2,896
French Club - High School	0	0	49	(49)
National Honor Society	(119)	2,019	1,950	(50)
Parking/Towing	14,169	17,467	18,835	12,801
Revolving - High School	7,420	10,500	12,985	4,935
ROTC	12,674	16,043	23,393	5,324
SADD	964	0	0	964
School Related - High School	25,021	4,481	1,897	27,605
Student Council - High School	8,584	20,638	16,094	13,128
Student Debts - High School	14,091	904	65	14,930
VICA	134	356	0	490
Woodshop	3,374	2,065	2,421	3,018
Year Book - High School	64,882	124,516	122,521	66,877
Not on Tobacco	323	0	0	323
Athletic Fundraiser	7,164	36,521	43,632	53
Baseball	(2,226)	6,709	5,087	(604)
Basketball - Boys	(533)	0	0	(533)
Basketball - Girls	4,174	11,743	8,510	7,407

ANCHOR BAY SCHOOL DISTRICT
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
Cross Country	(\$2,333)	\$1,440	\$803	(\$1,696)
Football	3,419	20,910	20,467	3,862
Golf	(702)	109	5	(598)
Softball	1,409	23,210	20,094	4,525
Soccer - Boys	(277)	360	125	(42)
Soccer - Girls	430	3,497	3,955	(28)
Swim - Boys	(33)	33	0	0
Swim - Girls	377	130	424	83
Tennis - Boys	271	760	733	298
Tennis - Girls	215	0	110	105
Track - Boys	3,417	10,214	7,963	5,668
Volleyball	5,985	22,707	18,934	9,758
Wrestling	3,389	18,339	17,300	4,428
Hockey	182	35,015	34,760	437
Bookers	171	40,914	40,438	647
Cheer	4,350	19,146	22,709	787
Senior All Night Party	4,985	20,111	22,204	2,892
Fundraiser - Preschool	7,402	19,395	17,995	8,802
Fundraiser - Preschool V.E.	1,752	0	0	1,752
Shoreliner Tips	262	1,101	953	410
Revolving - Middle School	20,967	185,212	182,200	23,979
Athletics - Middle School	17,872	22,618	22,170	18,320
Health Occupation	4,259	6,906	6,969	4,196
Class of 2005	3,670	0	0	3,670
Class of 2006	2,288	0	0	2,288
Class of 2007	(3,084)	9,125	108	5,933
Class of 2008	1,450	34,976	28,310	8,116
Dance/Prom	5,281	15,443	10,854	9,870
Theater	139	0	0	139
Student Activity	1,011	843	71	1,783
Journalism - LH	6,426	36,581	36,278	6,729
Library - LH	37	3,541	3,157	421
Magazine - LH	19,873	33,883	30,361	23,395
Revolving - LH	6,868	12,613	15,123	4,358
Athletics - MSS	762	3,393	2,198	1,957
Anchor Bay Education Fund	338	0	0	338
Pepsi Cafeteria	(979)	0	0	(979)
Aquatic Store	18,896	7,993	9,821	17,068
Big Stone School	43	0	0	43
Coat for Kids	595	0	0	595
<u>TOTAL</u>	<u>\$451,456</u>	<u>\$1,212,885</u>	<u>\$1,147,123</u>	<u>\$517,218</u>

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

<u>1998 DURANT RESOLUTION PACKAGE BONDS</u>				
<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008	4.761353%	\$0	\$0	\$0
2009	4.761353%	39,022	10,217	49,239
2010	4.761353%	40,878	8,359	49,237
2011	4.761353%	42,825	6,413	49,238
2012	4.761353%	244,285	86,531	330,816
2013	4.761353%	46,997	2,238	49,235
<u>TOTAL</u>		<u>\$414,007</u>	<u>\$113,758</u>	<u>\$527,765</u>

<u>1993 SCHOOL BUILDING AND SITE BONDS</u>					
	INTEREST	PRINCIPAL	MAY	NOVEMBER	
<u>PAYMENT DATE</u>	<u>RATE</u>	<u>REQUIREMENT</u>	<u>INTEREST</u>	<u>INTEREST</u>	<u>TOTAL</u>
			<u>REQUIREMENT</u>	<u>REQUIREMENT</u>	<u>PAYMENT</u>
2007-2008	8.750%	\$418,906	\$1,026,095	\$0	\$1,445,001

1999 REFUNDING BONDS					
	INTEREST	PRINCIPAL	MAY	NOVEMBER	
PAYMENT DATE	RATE	REQUIREMENT	INTEREST	INTEREST	TOTAL
			REQUIREMENT	REQUIREMENT	PAYMENT
2007-2008	4.050%	\$1,560,000	\$932,218	\$932,218	\$3,424,436
2008-2009	4.150%	2,735,000	900,628	900,628	4,536,256
2009-2010	4.300%	2,720,000	843,876	873,876	4,437,752
2010-2011	4.400%	2,700,000	785,396	785,396	4,270,792
2011-2012	4.500%	2,680,000	725,996	725,996	4,131,992
2012-2013	4.550%	2,665,000	665,696	665,696	3,996,392
2013-2014	4.650%	2,645,000	605,068	605,068	3,855,136
2014-2015	4.850%	2,625,000	543,571	543,571	3,712,142
2015-2016	4.900%	2,610,000	479,915	479,915	3,569,830
2016-2017	4.950%	2,595,000	415,970	415,970	3,426,940
2017-2018	5.000%	2,585,000	351,744	351,744	3,288,488
2018-2019	5.000%	2,550,000	287,119	287,119	3,124,238
2019-2020	4.750%	1,375,000	223,369	223,369	1,821,738
2020-2021	4.750%	1,365,000	190,713	190,713	1,746,426
2021-2022	4.750%	1,355,000	158,294	158,294	1,671,588
2022-2023	4.750%	1,345,000	126,113	126,113	1,597,226
2023-2024	4.750%	1,335,000	94,169	94,169	1,523,338
2024-2025	4.750%	1,320,000	62,463	62,463	1,444,926
2025-2026	4.750%	1,310,000	31,113	31,113	1,372,226
TOTAL		\$40,075,000	\$8,423,431	\$8,453,431	\$56,951,862

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

<u>1999 SCHOOL BUILDING AND SITE BONDS</u>					
	INTEREST RATE	PRINCIPAL REQUIREMENT	MAY INTEREST REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	TOTAL PAYMENT
<u>PAYMENT DATE</u>					
2007-2008	6.625%	\$1,000,000	\$70,500	\$70,500	\$1,141,000
2008-2009	6.500%	1,150,000	37,375	37,375	1,224,750
<u>TOTAL</u>		<u>\$2,150,000</u>	<u>\$107,875</u>	<u>\$107,875</u>	<u>\$2,365,750</u>
<u>2000 SCHOOL BUILDING AND SITE BONDS</u>					
	INTEREST RATE	PRINCIPAL REQUIREMENT	MAY INTEREST REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	TOTAL PAYMENT
<u>PAYMENT DATE</u>					
2007-2008	5.000%	\$1,050,000	\$148,166	\$148,165	\$1,346,331
2008-2009	5.050%	1,225,000	121,915	121,916	1,468,831
2009-2010	6.000%	1,425,000	90,984	90,984	1,606,968
2010-2011	6.125%	1,575,000	48,234	48,234	1,671,468
<u>TOTAL</u>		<u>\$5,275,000</u>	<u>\$409,299</u>	<u>\$409,299</u>	<u>\$6,093,598</u>
<u>2001 REFUNDING BONDS</u>					
	INTEREST RATE	PRINCIPAL REQUIREMENT	MAY INTEREST REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	TOTAL PAYMENT
<u>PAYMENT DATE</u>					
2007-2008	4.000%	\$130,000	\$795,566	\$795,566	\$1,721,132
2008-2009	4.100%	135,000	792,966	792,966	1,720,932
2009-2010	4.200%	1,340,000	790,199	790,199	2,920,398
2010-2011	4.300%	1,385,000	762,059	762,059	2,909,118
2011-2012	4.250%	1,425,000	732,281	732,281	2,889,562
2012-2013	5.250%	1,500,000	702,000	702,000	2,904,000
2013-2014	5.250%	1,520,000	662,625	662,625	2,845,250
2014-2015	5.250%	1,565,000	622,725	622,725	2,810,450
2015-2016	5.250%	1,615,000	581,644	581,644	2,778,288
2016-2017	5.000%	1,635,000	539,250	539,250	2,713,500
2017-2018	5.000%	1,650,000	498,375	498,375	2,646,750
2018-2019	5.000%	1,665,000	457,125	457,125	2,579,250
2019-2020	5.000%	1,680,000	415,500	415,500	2,511,000
2020-2021	5.000%	1,690,000	373,500	373,500	2,437,000
2021-2022	5.000%	1,705,000	331,250	331,250	2,367,500
2022-2023	5.000%	1,690,000	288,625	288,625	2,267,250
2023-2024	5.000%	1,675,000	246,375	246,375	2,167,750
2024-2025	5.000%	1,660,000	204,500	204,500	2,069,000
2025-2026	5.000%	1,645,000	163,000	163,000	1,971,000
2026-2027	5.000%	1,625,000	121,875	121,875	1,868,750
2027-2028	5.000%	1,635,000	81,250	81,250	1,797,500
2028-2029	5.000%	1,615,000	40,375	40,375	1,695,750
<u>TOTAL</u>		<u>\$32,185,000</u>	<u>\$10,203,065</u>	<u>\$10,203,065</u>	<u>\$52,591,130</u>

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

<u>2002 REFUNDING BONDS - SERIES A</u>					
<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2007-2008	4.000%	\$625,000	\$614,116	\$614,116	\$1,853,232
2008-2009	4.150%	650,000	601,616	601,616	1,853,232
2009-2010	4.300%	675,000	588,128	588,128	1,851,256
2010-2011	4.450%	725,000	573,616	573,616	1,872,232
2011-2012	4.550%	775,000	557,484	557,484	1,889,968
2012-2013	4.650%	825,000	539,853	539,853	1,904,706
2013-2014	5.500%	1,000,000	520,672	520,672	2,041,344
2014-2015	5.500%	1,000,000	493,172	493,172	1,986,344
2015-2016	5.500%	1,000,000	465,672	465,672	1,931,344
2016-2017	5.500%	1,000,000	438,172	438,172	1,876,344
2017-2018	5.500%	1,000,000	410,672	410,672	1,821,344
2018-2019	5.125%	1,025,000	383,172	383,172	1,791,344
2019-2020	5.125%	1,050,000	356,906	356,906	1,763,812
2020-2021	5.125%	1,075,000	330,000	330,000	1,735,000
2021-2022	5.125%	1,100,000	302,453	302,453	1,704,906
2022-2023		1,125,000	274,266	274,266	1,673,532
<u>TOTAL</u>		<u>\$14,650,000</u>	<u>\$7,449,970</u>	<u>\$7,449,970</u>	<u>\$29,549,940</u>
<u>2002 REFUNDING BONDS - SERIES B</u>					
<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2007-2008	3.700%	\$115,000	\$970,062	\$970,063	\$2,055,125
2008-2009	3.950%	120,000	967,935	967,935	2,055,870
2009-2010	4.100%	120,000	965,565	965,565	2,051,130
2010-2011	4.150%	125,000	963,105	963,105	2,051,210
2011-2012	4.250%	1,755,000	960,511	960,511	3,676,022
2012-2013	4.400%	1,800,000	923,218	923,217	3,646,435
2013-2014	4.500%	1,840,000	883,617	883,618	3,607,235
2014-2015	5.500%	1,880,000	842,218	842,217	3,564,435
2015-2016	5.500%	1,935,000	790,518	790,517	3,516,035
2016-2017	5.500%	1,990,000	737,305	737,305	3,464,610
2017-2018	4.900%	2,045,000	682,580	682,580	3,410,160
2018-2019	4.900%	2,085,000	632,478	632,477	3,349,955
2019-2020	4.900%	2,125,000	581,395	581,395	3,287,790
2020-2021	4.900%	2,160,000	529,332	529,333	3,218,665
2021-2022	4.900%	2,175,000	476,413	476,412	3,127,825
2022-2023	5.000%	2,160,000	423,125	423,125	3,006,250
2023-2024	5.000%	2,150,000	369,125	369,125	2,888,250
2024-2025	5.000%	2,140,000	315,375	315,375	2,770,750
2025-2026	5.000%	2,125,000	261,875	261,875	2,648,750
2026-2027	5.000%	2,110,000	208,750	208,750	2,527,500
2027-2028	5.000%	2,095,000	156,000	156,000	2,407,000
2028-2029	5.000%	2,080,000	103,625	103,625	2,287,250
2029-2030	5.000%	2,065,000	51,625	51,625	2,168,250
<u>TOTAL</u>		<u>\$39,195,000</u>	<u>\$13,795,752</u>	<u>\$13,795,750</u>	<u>\$66,786,502</u>

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

<u>2003 SCHOOL BUILDING AND SITE BONDS</u>					
<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2007-2008	2.750%	\$775,000	\$947,172	\$947,172	\$2,669,344
2008-2009	3.000%	800,000	936,516	936,516	2,673,032
2009-2010	3.000%	850,000	924,516	924,516	2,699,032
2010-2011	3.625%	900,000	911,766	911,766	2,723,532
2011-2012	5.000%	950,000	895,453	895,453	2,740,906
2012-2013	4.000%	1,000,000	871,703	871,703	2,743,406
2013-2014	5.000%	1,050,000	851,703	851,703	2,753,406
2014-2015	4.000%	1,100,000	825,453	825,453	2,750,906
2015-2016	4.000%	1,150,000	803,453	803,453	2,756,906
2016-2017	5.000%	1,200,000	780,453	780,453	2,760,906
2017-2018	5.000%	1,275,000	750,453	750,453	2,775,906
2018-2019	5.000%	1,325,000	718,578	718,578	2,762,156
2019-2020	5.000%	1,400,000	685,453	685,453	2,770,906
2020-2021	5.000%	1,475,000	650,453	650,453	2,775,906
2021-2022	5.000%	1,550,000	613,578	613,578	2,777,156
2022-2023	4.625%	1,625,000	574,828	574,828	2,774,656
2023-2024	5.000%	1,725,000	537,250	537,250	2,799,500
2024-2025	4.750%	1,800,000	494,125	494,125	2,788,250
2025-2026	4.750%	1,900,000	451,375	451,375	2,802,750
2026-2027	5.000%	2,000,000	406,250	406,250	2,812,500
2027-2028	5.000%	2,100,000	356,250	356,250	2,812,500
2028-2029	5.000%	2,225,000	303,750	303,750	2,832,500
2029-2030	5.000%	2,325,000	248,125	248,125	2,821,250
2030-2031	5.000%	2,450,000	190,000	190,000	2,830,000
2031-2032	5.000%	2,575,000	128,750	128,750	2,832,500
2032-2033	5.000%	2,575,000	64,375	64,375	2,703,750
<u>TOTAL</u>		<u>\$40,100,000</u>	<u>\$15,921,781</u>	<u>\$15,921,781</u>	<u>\$71,943,562</u>

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

<u>PAYMENT DATE</u>	<u>2006 REFUNDING BONDS</u>				
	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2016-2017	4.125%	\$50,000	\$216,156	\$216,156	\$482,312
2017-2018	4.125%	50,000	215,125	215,125	480,250
2018-2019	4.125%	50,000	214,094	214,094	478,188
2019-2020	4.125%	55,000	213,063	213,063	481,126
2020-2021	4.125%	55,000	211,928	211,928	478,856
2021-2022	4.250%	55,000	210,794	210,794	476,588
2022-2023	4.250%	60,000	209,625	209,625	479,250
2023-2024	4.250%	1,200,000	208,350	208,350	1,616,700
2024-2025	4.250%	1,200,000	182,850	182,850	1,565,700
2025-2026	4.300%	1,200,000	157,350	157,350	1,514,700
2026-2027	4.300%	1,200,000	131,550	131,550	1,463,100
2027-2028	4.375%	1,200,000	105,750	105,750	1,411,500
2028-2029	4.375%	1,200,000	79,500	79,500	1,359,000
2029-2030	4.375%	1,200,000	53,250	53,250	1,306,500
2030-2031	4.500%	1,200,000	27,000	27,000	1,254,000
<u>TOTAL</u>		<u>\$9,975,000</u>	<u>\$2,436,385</u>	<u>\$2,436,385</u>	<u>\$14,847,770</u>

ANCHOR BAY SCHOOL DISTRICT

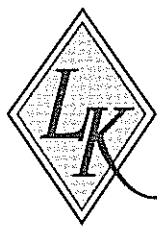
NEW BALTIMORE, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 4
Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	5 – 7
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	8
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	9
Schedule of Findings and Questioned Costs for the year ended June 30, 2007	10
Status of Prior Year Findings	10



October 12, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Anchor Bay School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anchor Bay School District, as of and for the year ended June 30, 2007, which collectively comprise the Anchor Bay School District's basic financial statements and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anchor Bay School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anchor Bay School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Anchor Bay School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Anchor Bay School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Anchor Bay School District's financial statements that is more than inconsequential will not be prevented or detected by the Anchor Bay School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Anchor Bay School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anchor Bay School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Anchor Bay School District
Page 2
October 12, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis + Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 12, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Anchor Bay School District

Compliance

We have audited the compliance of Anchor Bay School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Anchor Bay School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Anchor Bay School District's management. Our responsibility is to express an opinion on Anchor Bay School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anchor Bay School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anchor Bay School District's compliance with those requirements.

In our opinion, Anchor Bay School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Anchor Bay School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Anchor Bay School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Anchor Bay School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Anchor Bay School District

Page 2

October 12, 2007

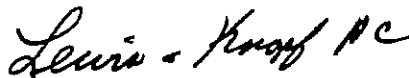
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anchor Bay School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Anchor Bay School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Programs			
Impact Aid	84.041	S041B20076037	\$133,014
Indian Education			
Indian Education (05-06)	84.060	B060A050048	53,276
Indian Education (06-07)		S060A060048	63,937
Total Indian Education			<u>\$117,213</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$250,227</u>
Passed Through Michigan Department of Education:			
Adult Education			
Adult Education (05-06)	84.002	61120-6500595	3,000
Adult Education (06-07)	84.002	71130-710877	15,700
Adult Education (06-07)	84.002	61120-7500597	5,000
Adult Education (06-07)	84.002	71120-7500597	5,100
Total Adult Education			<u>\$28,800</u>
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Carryover (05-06)		51530-0506	10,008
ESEA Title I - Regular (05-06)		61530-0506	225,686
ESEA Title I - Carryover (06-07)		61530-0607	6,000
ESEA Title I - Regular (06-07)		71530-0607	225,686
Total ESEA Title I			<u>\$467,380</u>
Special Education - Self Service Provider	84.027	SPSR-60440	4,700
Drug Free Schools and Communities	84.186		
Drug Free Schools & Communities Carryover (05-06)		52860-0506	11,467
Drug Free Schools & Communities (05-06)		62860-0506	21,445
Drug Free Schools & Communities Carryover (06-07)		62860-0607	8,853
Drug Free Schools & Communities (06-07)		72860-0607	17,322
Total Drug Free Schools and Communities			<u>\$59,087</u>
Innovative Education Program Strategies	84.298		
Title V (05-06)		60250-0506	2,751
Title V (06-07)		70250-0607	1,382
Total Innovative Education Program Strategies			<u>\$4,133</u>
Technology Literacy Challenge	84.318		
Technology Literacy Challenge (05-06)		62420-0506	4,210
Technology Literacy Challenge (06-07)		74290-0607	2,317
Total Technology Literacy Challenge			<u>\$6,527</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$133,014	\$0	\$133,014	\$0
44,671	44,671	0	0	44,671	0
0	0	63,551	0	36,604	26,947
<u>\$44,671</u>	<u>\$44,671</u>	<u>\$63,551</u>	<u>\$0</u>	<u>\$81,275</u>	<u>\$26,947</u>
\$44,671	\$44,671	\$196,565	\$0	\$214,289	\$26,947
749	3,000	0	0	749	0
0	0	15,700	0	15,700	0
0	0	5,000	0	5,000	0
0	0	5,100	0	2,036	3,064
<u>\$749</u>	<u>\$3,000</u>	<u>\$25,800</u>	<u>\$0</u>	<u>\$23,485</u>	<u>\$3,064</u>
10,008	10,008	0	0	10,008	0
51,350	189,208	30,486	(8)	81,828	0
0	0	6,000	0	0	6,000
0	0	191,294	0	125,358	65,936
<u>\$61,358</u>	<u>\$199,216</u>	<u>\$227,780</u>	<u>(\$8)</u>	<u>\$217,194</u>	<u>\$71,936</u>
4,166	4,166	0	0	4,166	0
9,640	11,467	0	0	9,640	0
6,110	12,592	0	0	6,110	0
0	0	8,853	0	5,117	3,736
0	0	14,770	0	7,451	7,319
<u>\$15,750</u>	<u>\$24,059</u>	<u>\$23,623</u>	<u>\$0</u>	<u>\$28,318</u>	<u>\$11,055</u>
2,751	2,751	0	0	2,751	0
0	0	1,382	0	0	1,382
<u>\$2,751</u>	<u>\$2,751</u>	<u>\$1,382</u>	<u>\$0</u>	<u>\$2,751</u>	<u>\$1,382</u>
4,210	4,210	0	0	4,210	0
0	0	2,317	0	0	2,317
<u>\$4,210</u>	<u>\$4,210</u>	<u>\$2,317</u>	<u>\$0</u>	<u>\$4,210</u>	<u>\$2,317</u>

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>			
Passed Through Michigan Department of Education (Continued):			
Improving Teacher Quality	84.367		
Title IIA (05-06)		60520-0506	\$142,477
Title IIA (06-07)			140,806
Total Improving Teacher Quality			<u>\$283,283</u>
Emergency Impact Aid	84.938		
Hurricane Katrina Relief		64120-1	205
Total Passed Through Michigan Department of Education			<u>\$854,115</u>
Passed Through Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (05-06)		60450-0506	1,086,011
IDEA Flow Through Carryover (06-07)			33,683
IDEA Flow Through (06-07)			1,091,245
IDEA Transition		70490-0607	2,780
Total Special Education - Grants to States			<u>\$2,213,719</u>
Vocational Education - Basic Grants to States:	84.048		
Perkins Secondary Regional (06-07)			94,000
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (05-06)		60460-0506	52,586
IDEA Preschool Incentive (06-07)		70460-0607	46,080
Total Special Education - Preschool Grants			<u>\$98,666</u>
Taking Action to Manage Emergencies	84.184E	Q184E040112	7,061
Total Passed Through Intermediate School District			<u>\$2,413,446</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$3,517,788
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	93,421
School Breakfast Program	10.553	N/A	125,042
National School Lunch Program	10.555	N/A	703,508
Special Milk Program	10.556	N/A	20,468
Summer Food Service Program	10.559	N/A	489
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$942,928</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2005	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$48,495	\$142,477	\$0	\$0	\$48,495	\$0
0	0	140,806	0	66,604	74,202
\$48,495	\$142,477	\$140,806	\$0	\$115,099	\$74,202
0	0	205	0	205	0
\$137,479	\$379,879	\$421,913	(\$8)	\$395,428	\$163,956
237,819	1,052,328	0	0	237,819	0
0	0	33,683	0	33,683	0
0	0	1,055,179	0	818,433	236,746
0	0	2,780	0	0	2,780
\$237,819	\$1,052,328	\$1,091,642	\$0	\$1,089,935	\$239,526
0	0	94,000	0	94,000	0
13,145	52,586	0	0	13,145	0
0	0	46,080	0	34,560	11,520
\$13,145	\$52,586	\$46,080	\$0	\$47,705	\$11,520
0	0	5,900	0	7,061	(1,161)
\$250,964	\$1,104,914	\$1,237,622	\$0	\$1,238,701	\$249,885
\$433,114	\$1,529,464	\$1,856,100	(\$8)	\$1,848,418	\$440,788
(20,245)	0	113,524	0	93,279	0
11,938	59,260	65,782	0	64,999	12,721
58,558	313,465	390,043	0	380,530	68,071
2,164	11,333	9,135	0	9,892	1,407
0	0	489	0	489	0
\$52,415	\$384,058	\$578,973	\$0	\$549,189	\$82,199

ANCHOR BAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Macomb County			
Head Start	93.600	N/A	\$4,889
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Program	12.000		
ROTC (05-06)		N/A	39,940
ROTC (06-07)		N/A	<u>58,068</u>
<u>TOTAL U.S. DEPARTMENT OF DEFENSE</u>			<u>\$98,008</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$4,563,613</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2005	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$4,889	\$0	\$4,889	\$0
4,561	39,940	0	0	4,561	0
0	0	58,068	0	54,884	3,184
\$4,561	\$39,940	\$58,068	\$0	\$59,445	\$3,184
\$490,090	\$1,953,462	\$2,498,030	(\$8)	\$2,461,941	\$526,171

ANCHOR BAY SCHOOL DISTRICT
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$2,498,030

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$1,914,168

School Service Fund 583,862

TOTAL \$2,498,030

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 9 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) An adjustment of \$8 was made to the Title I (05-06) grant due to prior year receivable being overstated.

ANCHOR BAY SCHOOL DISTRICT
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$888,694
<u>Less:</u> State Funded Grants			
School Breakfast Program			(24,753)
<u>Add:</u> Grants Passed Through U.S. Department of Education			
Impact Aid (CFDA 84.041)	\$133,014		
Indian Education (CFDA 84.060)	81,275		
Total Passed Through U.S. Department of Education			214,289
Grants Passed Through Intermediate School District			
Special Education - State Grants (CFDA 84.027)	\$1,089,935		
Vocational Education (CFDA 84.048)	94,000		
Special Education - Preschool Grants (CFDA 84.173)	47,705		
Taking Action to Manage Emergencies (CFDA 84.184E)	7,061		
Total Passed Through Intermediate School District			1,238,701
Grant Passed Through Macomb County			
Headstart (CFDA 93.600)			4,889
Grants Passed Through U.S. Department of Defense			
ROTC (CFDA 12.000)			59,445
Entitlement and Bonus Commodities (CFDA 10.550)			93,279
<u>Less:</u> Timing Difference			
Adult Education (CFDA 84.002)	(3,064)		
School Breakfast Program (CFDA 10.553)	(783)		
National School Lunch Program (CFDA 10.555)	(9,513)		
Special Milk Program	757		
Total Timing Differences			(12,603)
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$2,461,941</u>

ANCHOR BAY SCHOOL DISTRICT- NEW BALTIMORE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency (s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.027/84.173
84.367

Name of Federal Program or Cluster
Special Education Cluster
Improving Teacher Quality

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.